

Message Text

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ORIGIN NEA-12

INFO OCT-01 ADP-00 EB-11 COME-00 XMB-07 SCEM-02 AID-20

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NEA/EGY:MSTERNER

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

INFO USINT CAIRO

AMEMBASSY KUWAIT

AMEMBASSY BEIRUT

AMEMBASSY ABU DHABI

C O N F I D E N T I A L STATE 157196

E.O. 11652: GDS

TAGS: ENGR

SUBJECT: SUMED PROJECT

REF: BEIRUT 9151

1. ROGER TAMRAZ AND GEORGE VON PETERFFY OF KIDDER PEABODY CALLED ON ASST SECY SISCO AUG 8 TO BRIEF HIM ON SUMED PROJECT. (EGY COUNTRY DIRECTOR STERNER ALSO PRESENT.) THEY OUTLINED PROPOSAL PRESENTED BY US FIRMS TO EXIM FOR EXIM ASSISTANCE IN FINANCING US GOODS AND SERVICES FOR PROJECT, ALONG LINES OF REFTEL. THEY STRESSED THAT EXIM PARTICIPATION ESSENTIAL IF US FIRMS TO WIN CONTRACT, AND THAT SAUDI ARABIA AND EGYPT WOULD LOOK ON EXIM DECISION AS IMPORTANT POLITICAL SIGNAL FROM USG.

2. TAMRAZ, GIVING BACKGROUND OF FINANCING PROPOSALS,
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REPORTED THAT KUWAITIS FAVORED EQUITY ARRANGEMENT IN WHICH

THEY WOULD PROVIDE FOREIGN CURRENCY COSTS IN RETURN FOR 50 PERCENT SHARE OF OWNERSHIP. WHILE HIGHER LEVELS OF KUWAITI GOVT WERE PRO-US, HE SAID, LOWER ECHELONS, WHICH HEAVILY PALESTINIAN, HAD WORKED OUT THIS SORT OF PACKAGE TO KEEP US OUT. THE SAUDIS AND EGYPTIANS, HOWEVER, PREFERRED THAT EGYPT RETAIN FULL OWNERSHIP AND THAT DEBT FINANCING BE ARRANGED WITH ARAB AND US INVOLVEMENT. SAUDIS HAD IN MIND FUTURE SAUDI PIPELINE COMPLEMENTING SUMED WHICH THEY FELT WOULD BE MORE SECURE OUTLET BECAUSE OF GEOGRAPHICAL

CONSIDERATIONS THAN TAPLINE. SAUDIS ALSO HAD POLITICAL MOTIVE OF TRYING TO WEAN SADAT AWAY FROM QADHAFI.

3. TAMRAZ SAID US FIRMS WOULD UNDOUBTEDLY BE ABLE TO PRESENT A COMPETITIVE PROPOSAL (PROVIDED EXIM ASSUMED ROLE), BOTH ON TECHNICAL GROUNDS AND ON CURRENCY ANGLE. WITH EXIM COMMITMENT ON HAND, TAMRAZ HOPED BE ABLE TO GO BACK TO SAUDIS SHORTLY TO DISCUSS PARTICIPATION BY SAUDI ARABIA AND PERHAPS OTHER ARAB STATES (KUWAIT, ABU DHABI AND QATAR) IN SHARED FINANCING PACKAGE. TAMRAZ ASSUMED THAT PAYMENT IN US DOLLARS OVER LONG TERM WOULD BE CHEAPER THAN PAYMENT IN EUROPEAN CURRENCIES AND THAT THIS FACTOR WOULD MAKE US OFFER ATTRACTIVE IN EGYPTIAN EYES. FROM TECHNICAL POINT OF VIEW, TAMRAZ THOUGHT BECHTEL BETTER QUALIFIED THAN FRENCH CONTRACTOR SPIE BATIGNOLLES; LATTER WOULD HAVE TO LET OUT NUMEROUS SUBCONTRACTS WITH CONSEQUENTLY GREATER MIDDLE-MAN COSTS.

4. SISCO STATED THAT FROM POINT OF VIEW OF US FOREIGN POLICY CONSIDERATIONS, USG STRONGLY SUPPORTS PARTICIPATION OF AMERICAN FIRMS IN SUMED PROJECT. BENEFICIAL EFFECTS FOR US POLICY COULD INCLUDE COUNTERING OF US-EGYPTIAN POLITICAL STRAINS AND STRENGTHENING OF US COOPERATION IN OIL MATTERS WITH ARAB PRODUCERS--PARTICULARLY SAUDI ARABIA. SISCO INFORMED VISITORS THAT DEPT HAD BEEN IN TOUCH WITH EXIM TO CONVEY VIEWS ON FOREIGN POLICY ASPECTS, STRESSING THAT FINANCIAL ASPECTS ARE FOR EXIM TO MAKE, NOT US.

5. TAMRAZ THANKED SISCO FOR MEETING AND NOTED HE WOULD BE DISCUSSING MATTER FURTHER WITH EXIM LATER SAME DAY, IN CONFIDENTIAL

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PREPARATION FOR AUG 12 MEETING IN SAUDI ARABIA WITH YAMANI. HE SAID BOTH SAUDIS AND EGYPTIANS WERE PRESSING FOR QUICK RESPONSE FROM US COMPANIES; EGYPTIANS WANTED FIRM BID BY AUG 13 AND HAD RESISTED ANY EXTENSION. BOTH EGYPTIANS AND SAUDIS, ACCORDING TO TAMRAZ, WERE HIGHLY SKEPTICAL THAT EXIM WOULD BE WILLING TO PARTICIPATE IN SUMED AND WERE LIKELY TO WANT TO MOVE QUICKLY ON OTHER ARRANGEMENTS IF EXIM IN FACT TOOK NEGATIVE ATTITUDE.

6. TAMRAZ EXPRESSED APPRECIATION FOR ASSISTANCE EXTENDED BY BOTH USINT CAIRO AND EMBASSY JIDDA, MENTIONING IN PARTICULAR AMB THATCHER'S AND DCM HORAN'S ASSISTANCE REGARDING HIS COMPANY'S APPROACH TO SAUDIS JULY 18. ROGERS

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NNN

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